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C O N F I D E N T I A L SECTION 01 OF 03 NICOSIA 000136

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FOR DAS MATT BRYZA FROM AMBASSADOR SCHLICHER

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TAGS: PGOV PREL TU CY

SUBJECT: MANAGING THE CYPRUS PROBLEM IN BRUSSELS

Classified By: Ambassador R. Schlicher, reasons 1.4 (b) and (d).

¶1. (C) Matt: In advance of your upcoming visit to Brussels, we would like to share some thoughts regarding recent developments on Cyprus, and in particular the Greek Cypriot strategy vis-a-vis Turkey and the EU. The Europeans need to hear a sobering message about the potential consequences of a supine acceptance of Papadopoulos's hard-line tactics and the importance of coming through with more concrete assistance for the Turkish Cypriot community. We should encourage the EU to help, not hinder, the settlement process by staying away from political issues better negotiated under UN auspices; the EU message should be to encourage the parties -- as well as the UN -- to get back to the negotiating table as soon as possible. If the Greek Cypriots continue to hobble European efforts to ease Turkish Cypriot isolation -- or manage to ensnare the EU in the politics of Cyprus problem -- prospects for both a Cyprus settlement and Turkish EU membership will suffer.

THE EU: PLAYING PAPADOP'S GAME

¶2. (C) President Papadopoulos continues to pursue his strategy of using Turkey's EU accession process as a stick with which to beat Cyprus-related concessions out of the GOT; he wants to confront Turkey with hard choices in hopes of avoiding his own. This approach does nothing to advance the cause of Greek Cypriot and Turkish Cypriot reconciliation, and Papadopoulos has further eroded prospects for reviving serious settlement efforts by aggressively defending ROC prerogatives and blocking even modest efforts by the EU to reach out to the Turkish Cypriots. The EU's GOC-inspired failure to fulfill its commitment to easing Turkish Cypriot isolation ups the ante for Turkey and increases the likelihood of a major clash between Ankara and Brussels over such issues as implementation of the Customs Union Protocol. In Papadopoulos's universe, this would be a positive development. For a range of reasons the Europeans, especially the Commission, have too often played the role of enabler to Papadopoulos's hard-line strategy, leaving the settlement-minded Turkish Cypriot leadership in the lurch.

¶3. (C) The GOC has killed the EU's proposed direct trade measures for the Turkish Cypriots -- which to the GOC represented a dangerous step toward "upgrading" the "illegal TRNC." Beginning in 2004, the GOC mounted a successful campaign first to convince the Commission and other member states (especially the Dutch and Luxembourg presidencies) to decouple trade and aid -- and then to use the threat of veto to make sure trade never surfaced on the Council's agenda. The GOC has permitted the Turkish Cypriots to sell some goods to the south (and in theory to the rest of the EU via ROC-controlled ports) by agreeing to the EU's Green Line regulation. But trade has been very modest so far, with practically no Turkish Cypriot goods making their way to other EU markets through the south. It is unlikely that

trade across the Green Line will provide an economic boost to the Turkish Cypriots sufficient to close the gap between the two sides.

¶4. (C) Emboldened by EU acquiescence to trade/aid decoupling, the Greek Cypriots then thwarted the Europeans' planned assistance program in December 2005 by insisting the Commission issue a declaration regarding Varosha and a freeze on property development in the north as a condition for GOC approval of aid. The Turkish Cypriots resisted this, however, on the grounds that Varosha and property were settlement-related issues best handled by UN-brokered negotiations. When aid was not passed by the end of the year (resulting a loss of 120 million out of the original 259 million euro package) Commission staff sheepishly suggested to us that the UK Presidency was to blame for the aid stalemate, since the British did not press Talat hard enough to accept this deal.

¶5. (C) Our assessment is different. Empire-building Commission staff appeared to be in such a rush to get their assistance program up and running, that they were ready to accept Greek Cypriot conditions that actually set back overall prospects for a settlement. By accepting the GOC's demand for a declaration, the Commission maneuvered the Turkish Cypriots into catching the blame for scuttling the aid program -- damaging their own credibility as a non-partisan player, embarrassing Talat, rewarding Greek Cypriot hardball tactics, and thereby worsening the general atmosphere between the two sides.

SEEKING A CHANGE OF VENUE: UN TO EU

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¶6. (C) December's aid trainwreck is part of a larger Greek Cypriot strategy to move discussion of settlement-related issues from the UN to the EU. Indeed, after immediately rejecting Turkey's January 2006 "Action Plan" (which sought to link the implementation of Turkey's EU obligations to the EU's commitments to the Turkish Cypriots), the GOC spokesman reiterated the long-standing Greek Cypriot demand for the hand-over of Varosha. From the Greek Cypriot perspective, this approach makes a great deal of sense.

¶7. (C) Papadopoulos and his team of advisors (made up overwhelmingly of lawyers) view Turkey's EU accession as a legalistic, contractual process in which there is no room for bargaining. The Cyprus problem, however, is an amalgam of fundamentally political questions -- which the UN has historically, and correctly, sought to resolve through a process of bicommunal give-and-take. By tying settlement questions to Turkish EU accession (where he theoretically has a veto), Papadopoulos seeks to capitalize on Turkey's European ambitions in order -- by putting Turkey's own hard choices up front -- to circumvent political negotiations in which Greek Cypriots might have to make tough compromises. Although Papadopoulos steadfastly maintains that he wants the UN process to resume, it is no accident that he has littered the way with obstacles -- by playing coy about Greek Cypriot negotiating goals, refusing to meet Talat (and trying to frighten others from doing so as well), and insisting on vague steps to "prepare the ground" before any talks can take place.

OUR MESSAGE TO THE EU: WAKE UP AND SMELL THE COFFEE

¶8. (C) These developments have ominous implications both for settlement prospects and for candidate Turkey's willingness to play ball with the EU. On the settlement front, the once-bitten-twice-shy Turkish Cypriots will not trust the EU as an honest broker as long as it is hobbled by a veto-wielding Papadopoulos. Greater EU involvement in settlement-related questions not only undermines the UN, but

also drives the Turkish Cypriots further from the negotiating table. The European Union can play a valuable role in support of UN efforts (offering to fund the opening of Ledra Street, for example, once a UN-brokered deal is reached), but we should encourage them (especially the Commission) to keep their nose out of issues like Varosha that belong squarely on the UN's agenda. To us, this is a separate question from whether Talat and/or the GOT should signal willingness to deal with the GOC on Varosha under UN auspices.

¶9. (C) At the same time, the Europeans should look for concrete ways to help keep the Turkish Cypriots on board the pro-European, pro-settlement bandwagon. Talat's long-term political survival is dependent on his ability to deliver on voters' expectations of an end to "isolation" and eventual reunification of the island. For the moment, the EU has given Talat very little to show for his pro-settlement policies and rhetoric -- even though Europe's proximity and economic power mean that the Turkish Cypriots have nowhere else to turn if they are to find a viable alternative to greater dependence on Turkey. If the Commission cannot find creative ways around Greek Cypriot obstructionism, then perhaps right-thinking member states can -- for example by offering bilateral development assistance to the Turkish Cypriot community, as the UK is already doing. If the Europeans fail to take concrete steps, nationalist politicians currently waiting in the wings may reassert themselves, resulting in a Turkish Cypriot leadership far less enthusiastic about reunification with the south.

¶10. (C) The corollary to helping the Turkish Cypriots is for the Europeans to make it clear to Papadopoulos that the EU has neither the ability nor the intention of helping him out of the Cyprus problem via hints of an EU-led political process. The time has come for Papadopoulos to stop stalling and sit down with Talat to negotiate seriously. The EU cannot facilitate this dialogue, but member states and the Commission should certainly be prodding Papadopoulos to reengage in meaningful UN-brokered talks.

¶11. (C) Meanwhile, the international players should be looking for initiatives which will actually cost Papadopoulos in domestic political terms should he say "no." Turkey's recent "Action Plan" was easy for Papadopoulos to reject; indeed most Greek Cypriots sneer at the proposal. That said, Gul's initiative did have the benefit of putting some domestic pressure on Papadopoulos to put forward some ideas of his own. In this sense, there is the possibility of forging future initiatives which Papadopoulos may need to take seriously.

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¶12. (C) It is worth stressing to the Europeans that the current stalemate on the Cyprus problem cannot be ignored, and will continue to cause repeated and regular crises in EU-Turkey relations until some kind of meaningful UN settlement process gets underway. We leave it to our colleagues in Embassy Ankara to assess likelihood of Turkey freezing its accession process as a result of Greek Cypriot intransigence over Cyprus and/or EU failure to deliver for the Turkish Cypriots. From our perspective, however, it is clear the Greek Cypriots underestimate this possibility; Papadopoulos is cocksure that he has the GOT against the ropes because Turkey's interest in the EU will not flag. The Europeans should be helping us convince him that this is not a sure thing.

SCHLICHER